

## Message Text

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12

ACTION EA-09

INFO OCT-01 NEA-10 ISO-00 INT-05 FEA-01 ERDA-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01

H-02 INR-07 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00 /099 W

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R 250828Z NOV 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 5080

INFO AMEMBASSY JAKARTA

AMEMBASSY CANBERRA

AMEMBASSY JIDDA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

AMEMBASSY SEOUL

AMEMBASSY BANGKOK

AMEMBASSY MANILA

AMEMBASSY MEDAN

AMEMBASSY SURABAYA

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DEPT PLEASE PASS TO FRED ZEDER,  
OFFICE OF TERRITORIAL AFFAIRS,  
INTERIOR DEPARTMENT

E.O. 11652: N/A

TAGS: ENRG, JA, ID

SUBJ: JAPANESE CTS PLANS

SUMMARY. PROPOSAL TO BUILD HUGE CTS ON LOMBOK ISLAND HAS  
CLEAR LEAD OVER SIMILAR PROPOSALS FOR PALAU, KRA ISTHMUS, AND  
SOUTH KOREA. END SUMMARY.

1. WE DISCUSSED JAPANESE PLANS TO BUILD A CRUDE OIL CENTRAL

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TERMINAL STATION (CTS) OVERSEAS WITH TOSHIO ISONISHI,

EXECUTIVE VICE PRESIDENT, JAPAN INTERNATIONAL CTS ASSOCIATION (JICTSA). ISONISHI EXPLAINED THAT JICTSA WAS SETUP IN JULY BY MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY (MITI) TO SUPERVISE FEASIBILITY STUDIES ON POSSIBLE CTS SITES ABROAD AS PART OF JAPAN'S PROGRAM TO BUILD UP STRATEGIC OIL RESERVES TO A 90 DAY LEVEL AS REQUIRED BY IEA. THE ASSOCIATION, HE SAID, HAS NO AUTHORITY TO DECIDE WHICH SITE IS BEST: IT MERELY CONDUCTS OBJECTIVE STUDIES ON THEIR ECONOMIC FEASIBILITY.

2. OF THE FOUR LOCATIONS UNDER CONSIDERATION--LOMBOK, PALAU, KRA AND SOUTH KOREA--THE INDONESIA STUDY HAS ADVANCED THE FURTHEST. JICTSA HAS RECEIVED \$100,000 FROM MITI TO CONDUCT A PRELIMINARY STUDY OF LOMBOK, ACCORDING TO INDONESIA PREFERENCES FOR THIS SITE. A TECHNICAL GROUP IS SCHEDULED TO LEAVE JAPAN IN MID-DECEMBER AND TO SUBMIT ITS REPORT BY THE END OF JAPAN FY 1975 (MARCH 31, 1976). IF THE RESULTS ARE POSITIVE--AND THIS IN PART WILL DEPEND ON GOI ECONOMIC DEVELOPMENT PLANS FOR THE ISLAND--A FULL FLEDGED FEASIBILITY STUDY WILL THEN BE CONDUCTED, FINANCED BY THE GOJ PRIVATE INDUSTRY AND POSSIBLY INDONESIA. THE PRELIMINARY STUDY WILL BE CARRIED OUT ENTIRELY WITH JAPANESE FUNDS.

3. NONE OF THE OTHER SITES HAVE YET RECEIVED ANY OFFICIAL FINANCIAL BACKING. ISONISHI SAID HE PERSONALLY RATED CHANCES LOW THAT THE THAI AND SOUTH KOREAN PROPOSALS WOULD ADVANCE VERY FAR DUE IN LARGE PART TO POLITICAL CONSIDERATIONS. AS FOR THE PALAU PROPOSAL, ISONISHI ACKNOWLEDGED THAT THE ASSOCIATION HAD HELD INFORMAL TALKS WITH ITS PROMOTERS, LED BY NISSHO-IWAI TRADING COMPANY, BUT THE PALAU GROUP HAD NOT YET DECIDED TO JOIN JICTSA. THE PALAU PROJECT, ISONISHI, SAID, DESERVES SERIOUS CONSIDERATION, BUT IN VIEW OF FORMER PRIME MINISTER TANAKA'S ECONOMIC COOPERATION PLEDGE TO PRESIDENT SUHARTO THE GOJ WAS PLACING FIRST PRIORITY ON THE INDONESIAN PROPOSAL.

4. CONCERNING JICTSA CHARMAN YAMASHITA'S TRIP TO LIMITED OFFICIAL USE

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SAUDI ARABIA, ISONISHI SAID IT WAS SIMPLY A GET-ACQUAINTED TRIP AS THE NEWLY APPOINTED CHAIRMAN. (YAMASHITA, A FORMER MITI VICE MINISTER SUCCEEDED MOROZUMI, ANOTHER FORMER MITI VICE MINISTER WHO WANTED TO DEVOTE MORE TIME TO BROADER ENERGY PROBLEMS). THE SAUDIS HAVE EXPRESSED INTEREST IN THE PROJECT, BUT CONTRARY TO PRESS REPORTS, HAVE NOT MADE ANY COMMITMENT TO SUPPLY CRUDE AND ARE NOT BEING ASKED TO MAKE A FINANCIAL

CONTRIBUTION TO THE FEASIBILITY SURVEY.

5. COMMENT. THE HEAVY INVOLVEMENT OF TWO FORMER MITI VICE MINISTERS (ISONISHI HIMSELF IS A FORMER MITI COUNSELOR) AND THE FACT THAT THE PROJECT HAS RECEIVED OFFICIALS FUNDS CLEARLY INDICATES THAT THE INDONESIAN PROPOSAL HAS THE INSIDE TRACK IN THE CTS SWEEPSTAKES. ALL PARTIES ASSERT THE PROPOSALS ARE NOT NECESSARILY IN COMPETITION WITH EACH OTHER AND THAT JAPAN'S PETROLEUM NEEDS WILL CONTINUE TO RISE, NECESSITATING MORE THAN ONE CTS: BUT THE MAGNITUDE OF THE PROJECTS--15-20 MILLION TONS AND COSTS RUNNING ANYWHERE FROM \$300 MILLION TO \$1.5 BILLION-MAKES IT UNLIKELY THAT THE GOJ WOULD TAKE ON MORE THAN ONE CENTRAL TERMINAL STATION AT A TIME. THE DECISION WHETHER TO BUILD CTS ABROAD AT ALL HAS OF COURSE NOT YET BEEN MADE AND WILL DEPEND STRONGLY, INTER ALIA UPON IEA DECISION WHETHER OIL SO STORED CAN BE COUNTED IN 90 DAY RESERVES.  
HODSGON

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